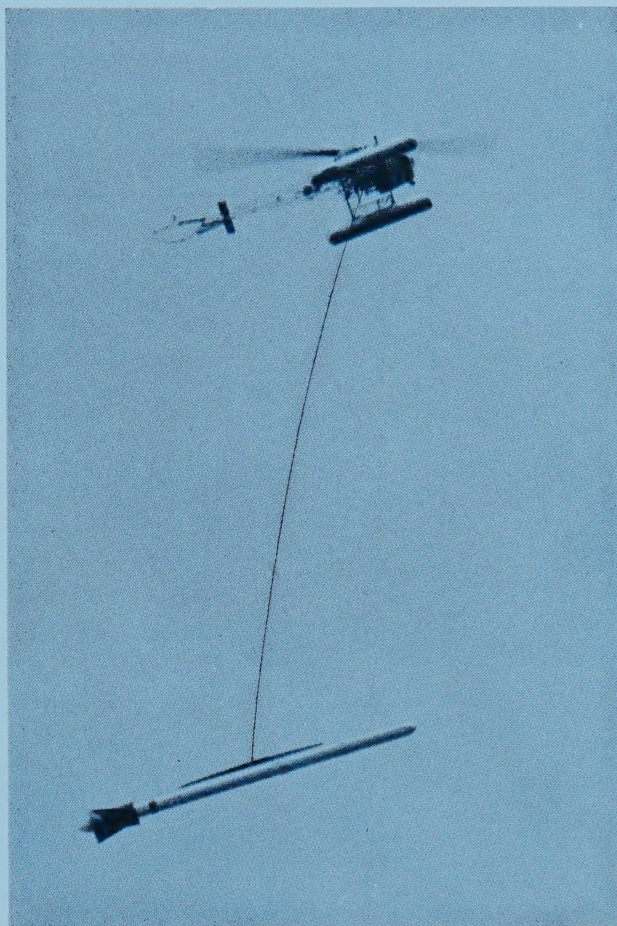


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## ANNUAL REPORT 1969



**SCINTREX**  
LIMITED



SCIENTIFIC INSTRUMENTATION RESEARCH AND EXPLORATION

## SCINTREX SUBSIDIARIES AND BRANCH OFFICES

Scintrex Limited & Seigel Associates Limited, Toronto, Ontario	— Harold O. Seigel, Ph.D., P.Eng., President
	— Robbert A. Bosschart, Ph.D., P.Eng., Executive Vice President
	— Roger H. Pemberton, M.Sc., P.Eng., Vice President, Marketing
Scintrex Inc., Buffalo, New York	— Kenneth L. Malick, General Manager
	— A. H. S. Pickburn, M. Inst. M., Marketing Manager
Seigel Associates Limited, Vancouver, British Columbia,  Calgary, Alberta	— Jon G. Baird, B.Sc., P.Eng., Operations Manager
	— Richard O. Crosby, B.Sc., P.Eng., Western Marketing Manager
Scintrex Airborne Geophysics Inc., Tulsa, Oklahoma	— Altus E. Ibach, General Manager
Mineral Surveys Inc., Buffalo, New York, Salt Lake City, Utah	— S. Parker Gay, Jr., M.Sc., General Manager
Seigel Asociados, S.A. de C.V., Mexico City, Mexico	— Patricio Arcos
Seigel Associates (International) Limited	— David B. Williams, B.Sc., General Manager
Seigel Associates (Jamaica) Limited Kingston, Jamaica	
Seigel Associates Australasia Pty. Ltd. Kalgoorlie, Western Australia	— Anthony W. Howland-Rose, M.Sc., General Manager

## DIRECTORS AND OFFICERS

### Directors

Harold O. Seigel  
Alfred J. Shaul  
William L. Seigel  
Robbert A. Bosschart  
Roger H. Pemberton  
Duncan R. Derry

### Officers

Harold O. Seigel, Ph.D., P. Eng., President  
Robbert A. Bosschart, Ph.D., P. Eng., Executive Vice President  
Roger H. Pemberton, M.Sc., P.Eng., Vice President, Marketing  
Alfred J. Shaul, Q.C., Secretary-Treasurer  
Gerald Stork, C.A., P.Eng., Director of Administration

### Solicitors

Shaul and Draimin

### Bankers

Bank of Nova Scotia  
Marine Midland Trust Company of Western New York

### Auditors

Vise, Rumack, Hecker, Stal & Hayeems

### Transfer Agents and Registrar

Guaranty Trust Company of Canada

### Head Office

79 Martin Ross Avenue, Downsview 463, Ontario

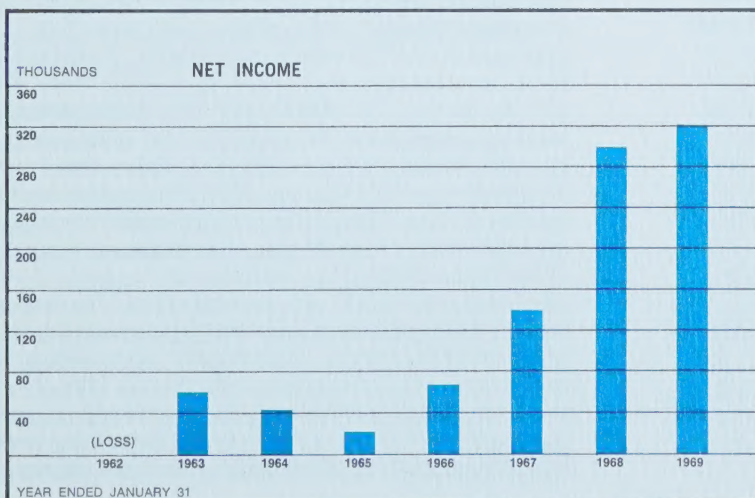
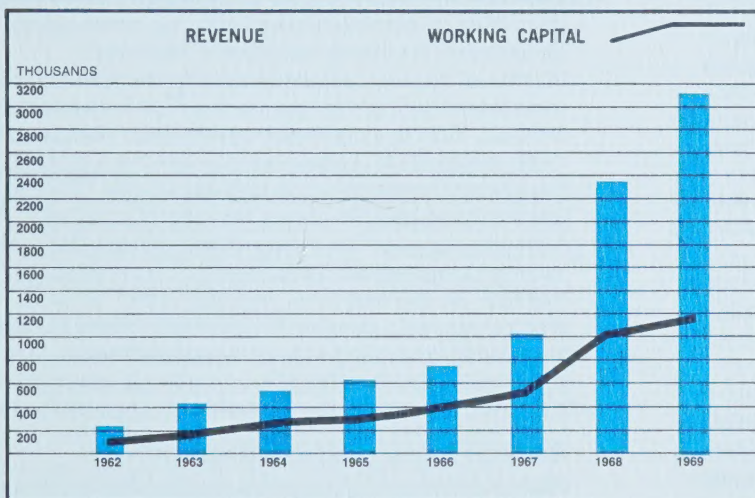




## HIGHLIGHTS OF OPERATING RESULTS

	Year Ended January 31	
	1969	1968
Gross Revenue	\$3,152,720	\$2,358,695
Net Income Before Taxes	\$ 526,602	\$ 422,650
Net Income	\$ 321,520	\$ 300,869
Common Shares Outstanding	418,272	410,789
Earnings Per Common Share After Preference Dividends	73¢	69¢
Working Capital	\$1,171,629	\$1,044,127

## EIGHT YEAR COMPARISON CHARTS





# President's report

## TO THE SHAREHOLDERS



### GENERAL

The past fiscal year has been one of marked expansion, both geographic and technical, for your Company as well as of consolidation of the growth achieved in the previous period. The merger of the staff and interests of the geophysical contracting and consulting firm of Seigel Associates Limited and its subsidiaries with the instrument manufacturing division is now an accomplished fact, and these two branches of Scintrex are functioning in a productive and harmonious fashion.

A new service subsidiary, Seigel Associates Australasia Pty. Ltd. has been firmly launched in Western Australia, with its head office moving shortly to Perth and branch offices in Sydney and Kalgoorlie, Australia. Mineral Surveys Inc. has opened an operational office in Salt Lake City, Utah, to serve the Western U.S.A. Seigel Associates Limited has opened an office in Calgary, reflecting the growing importance of Calgary-based oil companies in the mineral exploration field in Canada. During the year the various service subsidiaries executed geophysical surveys on behalf of the United Nations or major mining companies in Australia, Canada, Guatemala, Honduras, Indonesia, Ireland, Mexico, New Guinea, Portugal, Senegal, Spain and the U.S.A. Whereas the ground geophysical services are still of first importance the various specialized airborne geophysical services are rapidly overtaking the ground services in dollar value.

As one result of the corporate and new product acquisition search referred to in last year's Annual Report, we have, in March 1969, acquired the operations and assets of Jens Mogensen Geochemical Laboratories, Limited, thus adding a geochemical analytical laboratory, a complete and established line of field geochemical kits and supplies and experienced personnel to the Scintrex organization. These products and services complement the geophysical sales and services and are offered to the same exploration clients.

Expansion brings its own peculiar problems. Having outgrown our premises both in Downsview and Buffalo, we have had to embark on building programs in both centres. A new 8,000 square foot plant was completed in the Amherst Industrial Park (Buffalo) in March 1969, and is now the new home of Scintrex Inc. Three acres of land were purchased in this Park and seven acres optioned to allow for future expansion. In the Toronto area four acres of land were purchased in Vaughan Township, about three miles northwest of the existing plant and a 28,500 square foot building has been contracted for, to be completed in the fall of 1969. Reflecting the strong financial position of your Company, it is present corporate policy to own its own buildings, wherever feasible, so as to permit maximum flexibility in expansion. The

1.7-acre lot, adjacent to its present leasehold in Downsview, is no longer adequate for the Company's expansion purposes and has accordingly been sold in May, 1969.

### GEOPHYSICAL SERVICES

The geographic expansion of the service divisions has been referred to above. All service divisions have benefited from the new products and new methods which are constantly being generated and tested by the Scintrex Research and Development group. Modifications to existing instrumentation and techniques have had to be made to solve special problems, e.g. in Australia. This has gained for Scintrex a reputation for being innovators instead of simply slavishly applying the same tools to all problems.

The organization of the various service divisions and their lines of communication with the nerve centre at Downsview are being constantly improved. Worthy of special reference among the new services introduced during this year is the Turair electromagnetic method. This is a semi-airborne system designed for very deep penetration, comparable to the best ground geophysical methods, but with about one-fifth the cost per line mile and fifty times the rate of coverage. A helicopter is used for laying of the primary field source loop and for making the pertinent measurements. This method, for the first time, permits useful airborne electromagnetic prospecting for base metal ore bodies to be undertaken in areas of deep overburden, tall tree cover or rugged topography, conditions which typify so much of the potentially mineral-rich areas of the world.

### GEOPHYSICAL INSTRUMENTATION

New or improved instruments are constantly being developed by Scintrex in the fields of magnetics, electromagnetics, induced polarization and radiometrics. In magnetic instrumentation two new integrated circuit component fluxgate instruments have been fully engineered and are now in production. These are the MF-2, an analogue instrument, successor to the MF-1, and the MFD-2, the world's first field portable digital reading fluxgate magnetometer. In the electromagnetic field the Turair system, referred to above, has been completed and put into productive operation by the service division. The induced polarization transmitters are now of the Mark VII type, completely solid state including switching. Transmitters of this type, of wattages 25, 2,500 and 10,000, are in production. The former, being battery operated and very light in weight, is rather revolutionary for time domain transmitters. New radiometric instrumentation includes the BGS-1, a rugged low cost broad band scintillation counter for prospecting purposes; the GIS-3, a third generation single channel integral gamma ray spectrometer for both general





prospecting and quantitative analysis for uranium, thorium and potassium; and the GDSA-4, a sophisticated four channel differential gamma ray spectrometer, with spectrum stabilization and automatic computer stripping, intended mainly for uranium airborne survey purposes.

#### AUDIO INSTRUMENTATION

Two versions of wireless communication headsets have been added to our audio product list. One version uses two way radio communication, wholly enclosed within the headset and is intended for use in industrial, utility and educational applications. The second version uses induction loop transmission and is primarily intended for one way communication in language laboratories and for simultaneous translation, etc. Entire language laboratories and music library facilities, employing our headphones as well as additional equipment, are in the advanced design stages.

#### RESEARCH AND DEVELOPMENT

In the fiscal year just past, your company spent \$263,721.00 on its combined research and development effort, an increase of 36% over the expenditure of the previous year. The bulk of this expenditure was still in the geophysical field, but more attention is being paid to the audio field, as can be seen from the new audio products now available. A number of devices in both the geophysical and audio areas are in the advanced development stage and will likely be introduced into production for sale or services later this year. Your directors remain convinced of the importance of continuing research and intend to maintain the current levels of effort and expenditure.

#### FINANCIAL

Gross revenues have risen 34% to \$3,152,720.00. Net profits before taxes rose 25% but the tax burden increased 68% over that of the previous year, resulting in only a 7% increase in net income after taxes. The primary reasons for the heavier tax burden include the exhaustion last year of the tax loss carried forward from previous years and the fact that a large part of the current year's earnings were in countries with a heavy tax burden. The working capital position has improved by \$121,747.00 despite heavy expenditures on new equipment and facilities.

The accounting practice of the previous year has been maintained, including the write-off of all current research and development expenditures.

#### FUTURE PROSPECTS

The fiscal year ending January 31, 1970, promises a continuation of the strong upward trend of geophysical instrument sales and services. This is due to a general increase in mineral exploration activity on a world wide basis plus a continued improvement in your Company's penetration of the market. As a result of your Company's technical contribution toward the discovery of a very promising uranium deposit in Saskatchewan, it has firm orders for a full season's airborne geophysical survey there, by two fixed wing aircraft and two helicopters. Increased activity is noted in the U.S.A., Western Canada, and, particularly, Australia.

The company has purchased a D.H. 3 Otter, single engined aircraft, specially outfitted for low level airborne geophysical survey, thus adding a second aircraft to its roster.

The current extraordinary rate of internally generated growth is most gratifying to your management and has permitted them to be conservative on their acquisition outlook. External growth through acquisition of new products or companies with products or talents is still being actively investigated.

However manufacture under license for a number of complementary products of both European and Canadian origin is currently being examined, as the greatly increased facilities which will be available in the new Vaughan Township building will permit a corresponding expansion of production.

The continued success of the Company is due, in large measure, to the efforts of the members of the staff. To them, on behalf of the Board of Directors, I am pleased to extend our sincere thanks.

On behalf of the Board of Directors,  
Harold O. Seigel, Ph.D., P.Eng.,  
President.



# SCINTREX LIMITED

## CONSOLIDATED

### ASSETS

	January 31 1969	January 31 1968
CURRENT		
Cash and short term deposits .....	\$ 331,558	\$ 102,032
Receivables .....	752,450	554,232
Marketable securities (market value: 1969 — \$54,912; 1968 — \$175,082) .....	54,764	176,084
Inventories, at the lower of cost and net realizable value .....	527,511	445,405
Prepaid expenses and sundry assets .....	24,802	17,965
	<u>1,691,085</u>	<u>1,295,718</u>
INVESTMENT IN AND ADVANCES TO ASSOCIATED COMPANY (50% owned), at cost .....	5,346	15,045
PROPERTIES AND EQUIPMENT, at cost (Note 2) .....	1,089,033	743,215
Less accumulated depreciation .....	383,966	275,970
	<u>705,067</u>	<u>467,245</u>
OTHER		
Unamortized patents, processes and franchises (Note 3) .....	110,923	157,077
Excess of cost of subsidiaries over book value on acquisition .....	337,201	337,201
	<u>448,124</u>	<u>494,278</u>
	<u>\$2,849,622</u>	<u>\$2,272,286</u>

Approved on Behalf of the Board

Dr. Harold O. Seigel, Director

Alfred J. Shaul, Director

See acc

### AUDITORS' REPORT

#### To The Shareholders

We have examined the consolidated balance sheet of Scintrex earnings and source and use of funds for the year ended on accounting records and other supporting evidence as we con

In our opinion these consolidated statements present fairly th in accordance with generally accepted accounting principles

Toronto, Canada

May 26, 1969



## BALANCE SHEET

### LIABILITIES

	January 31 1969	January 31 1968
CURRENT		
Accounts payable and accrued liabilities .....	\$ 394,376	\$ 186,314
Income taxes payable .....	125,080	59,522
	<u>519,456</u>	<u>245,836</u>
DEFERRED INCOME TAXES (Note 4) .....	142,468	106,384
MINORITY INTEREST .....	<u>5,103</u>	<u>4,041</u>

### SHAREHOLDERS' EQUITY

CAPITAL (Note 5)		
Authorized		
350,000 Preference shares, \$1 par value, cumulative, non-voting, convertible		
1,500,000 Common shares, no par value		
Issued		
327,500 Preference shares .....	327,500	327,500
418,272 Common shares (1968 — 410,789 shares) .....	1,267,083	1,248,384
	<u>1,594,583</u>	<u>1,575,884</u>
RETAINED EARNINGS .....	588,012	340,141
	<u>2,182,595</u>	<u>1,916,025</u>
	<u>\$2,849,622</u>	<u>\$2,272,286</u>

anying notes

and its subsidiaries as at January 31, 1969 and the consolidated statements of income and retained date. Our examination included a general review of the accounting procedures and such tests of the and necessary in the circumstances.

ncial position of the company as at January 31, 1969, and the results of its operations for the year, ed on a basis consistent with that of the preceding year.

WISE, RUMACK, HECKER, STAL AND HAYEEMS,  
Chartered Accountants



# SCINTREX LIMITED

## CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS

For the Year Ended January 31,

	1969	1968
SALES .....	\$3,152,720	\$2,358,695
Cost of sales, including selling and administrative expenses .....	2,311,020	1,663,810
Depreciation and amortization .....	106,585	117,376
Research and development expenses .....	263,721	186,536
Minority interest .....	167	1,870
	<u>2,681,493</u>	<u>1,969,592</u>
Less: Research and development grants received from the Government of Canada .....	<u>55,375</u>	<u>33,547</u>
	<u>2,626,118</u>	<u>1,936,045</u>
OPERATING INCOME BEFORE INCOME TAXES .....	526,602	422,650
INCOME TAXES (Note 4) .....	<u>205,082</u>	<u>121,781</u>
NET INCOME .....	321,520	300,869
RETAINED EARNINGS AT BEGINNING OF YEAR .....	<u>340,141</u>	<u>91,479</u>
	<u>661,661</u>	<u>392,348</u>
Less: Patents, processes and franchises amortized (Note 3) .....	48,333	48,333
Prior years' adjustments .....	5,666	(15,776)
Dividends on preference shares .....	<u>19,650</u>	<u>19,650</u>
	<u>73,649</u>	<u>52,207</u>
RETAINED EARNINGS AT END OF YEAR .....	<u>\$ 588,012</u>	<u>\$ 340,141</u>

See accompanying notes





## CONSOLIDATED STATEMENT OF SOURCE AND USE OF FUNDS

For the Year Ended January 31,

	1969	1968
WORKING CAPITAL AT BEGINNING OF YEAR .....	<u>\$1,049,882</u>	<u>\$ 521,990</u>
SOURCE OF FUNDS		
Addition to working capital from operations .....	464,189	524,629
Working capital of subsidiaries at date of acquisition .....	—	297,358
Repayments of advance by associated company .....	9,699	—
Proceeds from issue of common shares .....	18,699	26,651
	<u>492,587</u>	<u>848,638</u>
	<u>1,542,469</u>	<u>1,370,628</u>
USE OF FUNDS		
Net additions to properties and equipment .....	345,818	304,802
Investment in and advances to associated company .....	—	15,045
Miscellaneous and prior years' adjustments .....	5,372	(18,751)
Dividends on preference shares .....	19,650	19,650
	<u>370,840</u>	<u>320,746</u>
WORKING CAPITAL AT END OF YEAR .....	<u>\$1,171,629</u>	<u>\$1,049,882</u>
INCREASE IN WORKING CAPITAL .....	<u>\$ 121,747</u>	<u>\$ 522,137</u>



# SCINTREX LIMITED

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended January 31, 1969

### 1. Principles of Consolidation

The consolidated financial statements for the year include the accounts of all subsidiaries in which the Company owns more than 50% of the issued voting share capital, and include the accounts of three subsidiary companies incorporated in various countries during the year.

The accounts of the foreign subsidiaries are converted into Canadian dollars at rates of exchange current at January 31, 1969. Properties and equipment are at rates prevailing on dates of acquisition.

### 2. Properties and Equipment

Included therein are the following: —

(a) Land and construction costs to date of \$87,131 for a plant at Buffalo, New York. The estimated total cost of the land and building is \$163,000.

(b) Deposit of \$8,800 on 4 acres of land in the Toronto area, acquired in February, 1969. The Company intends to build a new head office and plant of approximately 28,500 sq. ft. for an estimated total cost for the land and building of \$440,000. The Company sold its land adjoining the present leasehold offices in Downsview in May, 1969.

### 3. Unamortized Patents, Processes and Franchises

In 1967 management determined that certain patents and processes acquired for \$145,000 were becoming outdated due to technological advances. Two-thirds of these costs were written off to Retained Earnings in 1967 and 1968 and the current charge of \$48,333 completes the amortization of these patents.

Certain other drawings, patents and processes costing \$105,000 are in current use and are not considered by management to have depreciated in value since acquisition.

Other patents in the amount of \$2,596 are being amortized over a seventeen year period. To date \$453 has been written off against income.

### 4. Estimated and Deferred Income Taxes

Income taxes payable in respect of the current year have been reduced as depreciation for taxable purposes is in excess of that charged in the accounts. In addition, one of the subsidiaries reports income for taxable

purposes on a cash received basis. This reduction is applicable to future years and accordingly is included in "Deferred Income Taxes" on the Balance Sheet.

### 5. Capital

#### Preference Shares

The preference shares may be converted at any time by the holder or holders thereof into fully-paid common shares of the Company on the basis of one common for four preference shares. Dividends on these 6% cumulative preference shares are payable semi-annually on the last days of July and January of each year.

These shares are non-voting unless the Company will have failed to pay dividends for a period of two years.

#### Common Shares

	Number of Shares Outstanding	Consideration Received
Balance outstanding at beginning of year	410,789	\$1,248,384
Issuance of shares to officers and employees per stock option plan at prices of \$2.00 and \$3.00 per share	7,483	18,699
Balance outstanding at end of year	418,272	\$1,267,083

#### Employee Stock Options

During the year the Company granted stock options to employees to purchase 16,500 common shares in the capital of the Company at prices of \$11.70 and \$13.95 per share. As at January 31, 1969, options on 28,500 shares were outstanding, approximately half of which are exercisable in June 1969 and the balance in June 1970, at prices ranging from \$2.00 to \$13.95 per share.

### 6. Lease Commitments

As at January 31, 1969, total rental commitments amounted to \$258,750 in respect of leased premises.

### 7. Remuneration to Directors and Senior Officers

Total remuneration paid to the Directors and senior officers amounted to \$123,300 for the year.

### 8. Events Subsequent to Year-End

In March 1969 the Company acquired the assets and business of a manufacturer of geochemical kits and supplies and a tester of geochemical samples.

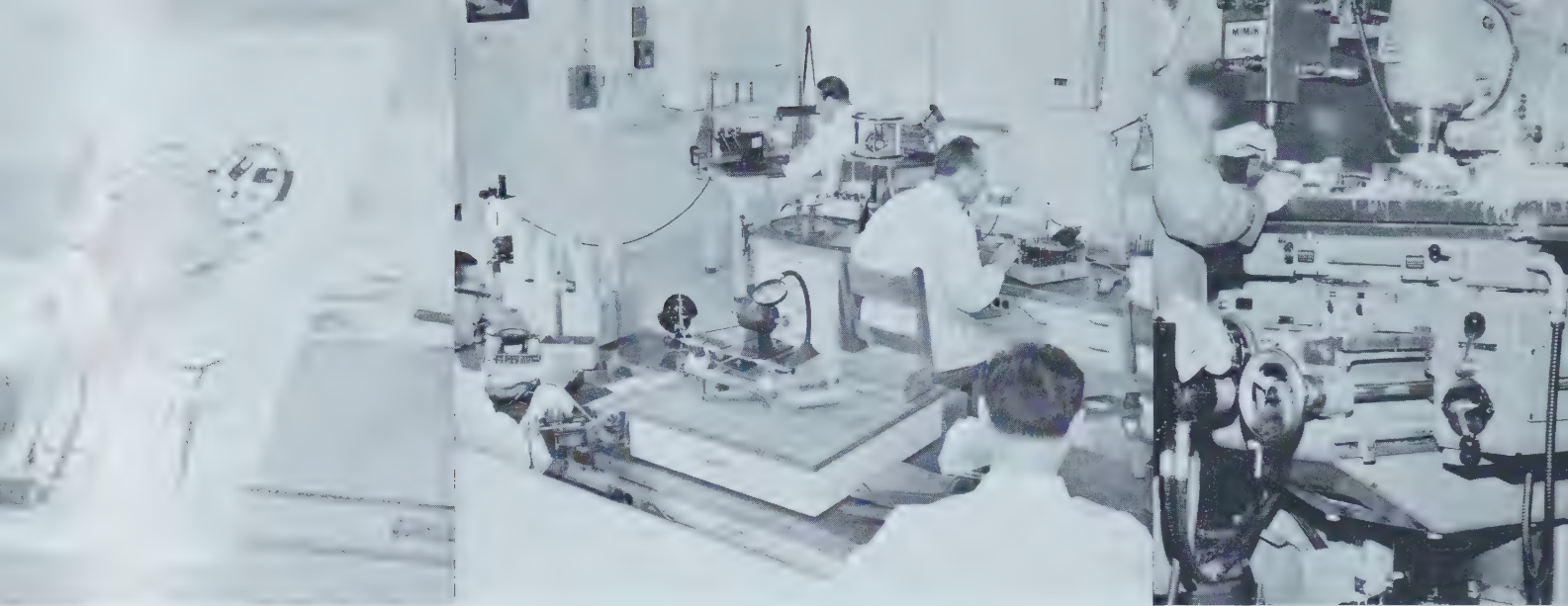




SCINTREX STORY







## SCINTREX STORY

Scintrex is a Company devoted to the earth sciences. It was formed through the merger of Geophysical Associates, a geophysical consulting and contracting group, and Sharpe Instruments, a manufacturer of geophysical instruments. Seven of the Company's eight subsidiaries are concerned primarily with mineral exploration. A notable exception is Scintrex Inc. in Buffalo, New York, which manufactures audio products.

A combination of consultation, contracting services and instrument manufacturing is a natural fit in this specialized field. Expert knowledge and experience are necessary to provide geophysical services on a world wide basis, and these are equally needed to design geophysical instruments that can hold their own under the diversity of climatic and geologic conditions that are found in the world's potential mineral fields. In both fields, Scintrex has particular competence.

Instrument sales cover more than seventy countries and at present Scintrex is the largest manufacturer of geophysical equipment. In contracting services, the number of operating bases as well as the total number of active field parties are daily increasing.

Geophysical instruments are generally complex and still mostly custom-made. Scintrex, prompted by the strong demand for its products and to improve quality and uniformity, is manufacturing its standard instruments on a line production basis, aided by a modern production and cost control system. The resulting improvements in efficiency have put the instrument division in an excellent competitive position and at the same time have facilitated the production of a greater variety of instruments.

A strong research and development section supports both the manufacturing and service divisions. It provides a continuous flow of new product designs incorporating the latest electronic techniques and components.

In recent years a marked shift from ground toward airborne surveying has become apparent. The increasing costs and the long time required for grid preparation and ground measurements on the one hand, and the advent of turbo powered helicopters with larger carrying capacity, higher speed and better operating efficiency on the other hand, have done much to change the approach to the investigation of even relatively small mineral prospects.

Scintrex has been among the first companies to foresee this trend and has pioneered light, easily installed geophysical equipment for helicopters and fixed-wing aircraft. Such instruments, which include magnetometers, radioactive spectrometers and electromagnetic systems, are used by the contracting services division, as well as being leased or sold to clients.







A further adaption to the changing economics of mineral exploration has been the development of semi-airborne electromagnetic systems, which combine some of the advantages of ground surveys with those of airborne operations.

Although an isolated mineral discovery may mean very little, a consistent suite of successes such as Scintrex has enjoyed, gives ample testimony to the technical excellence of the organization. Since 1962, ten major mineral discoveries have directly resulted from geophysical surveys carried out by Scintrex teams employing Scintrex equipment.

Among its clients, for services and for instruments, Scintrex numbers many of the world's major mineral exploration and petroleum companies, the United Nations and a number of government organizations.

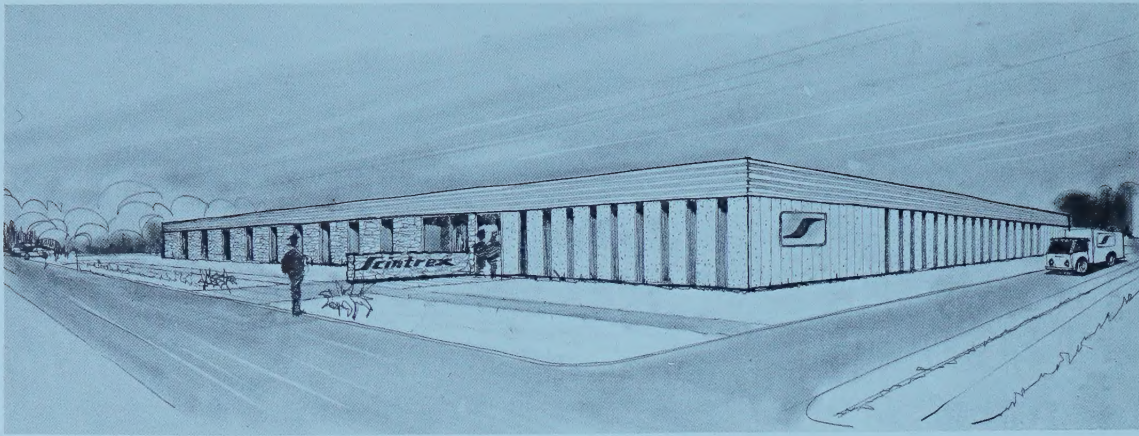
As a further diversification in earth sciences, Scintrex has recently entered the field of geo-chemistry, through the acquisition of Jens Morgensen Laboratories Limited, a well known supplier of geochemical field equipment and services.

The value of basic electronic skill in developing products for unrelated purposes is shown by the success of Scintrex audio products in a highly competitive consumer market. Audio research and design take place in the main plant, most of the manufacturing in Buffalo, New York. The "Sharpe" stereophonic headphones are rated by Hi-Fi connoisseurs as among the best available. Other models are designed for the aviation industry and for audio-visual applications.

The Toronto plant has a modern, well-equipped machine shop where all mechanical parts for the geophysical and audio products are made. These facilities are used also for outside sub-contracting, for example, to the aircraft industry.







NEW HEAD OFFICE BUILDING — TORONTO



NEW MANUFACTURING PLANT — BUFFALO, N.Y.



SCIENTIFIC INSTRUMENTATION RESEARCH AND EXPLORATION



## SCINTREX SUBSIDIARIES AND BRANCH OFFICES

Scintrex Limited & Seigel Associates Limited, Toronto, Ontario	— Harold O. Seigel, Ph.D., P.Eng., President
	— Robbert A. Bosschart, Ph.D., P.Eng., Executive Vice President
	— Roger H. Pemberton, M.Sc., P.Eng., Vice President, Operations & Marketing
Scintrex Inc., Buffalo, New York	— Kenneth L. Malick, General Manager
	— A. H. S. Pickburn, M. Inst. M., Marketing Manager
Seigel Associates Limited, Vancouver, British Columbia	— Jon G. Baird, B.Sc., P.Eng., Operations Manager
Calgary, Alberta	— Richard O. Crosby, B.Sc., P.Eng. Western Marketing Manager
Scintrex Airborne Geophysics Inc., Tulsa, Oklahoma	— James B. Hill
Mineral Surveys Inc., Buffalo, New York, Salt Lake City, Utah	— S. Parker Gay, Jr., M.Sc., General Manager
Seigel Asociados, S.A. de C.V., Mexico City, Mexico	— Patricio Arcos
Seigel Associates (International) Limited	— David V. Williams, B.A.Sc. General Manager
Seigel Associates (Jamaica) Limited, Kingston, Jamaica	
Seigel Associates Australasia Pty. Ltd., Kalgoorlie, Western Australia	— Anthony W. Howland-Rose, M.Sc., General Manager

## DIRECTORS AND OFFICERS

## Directors

Harold O. Seigel  
 Alfred J. Shaul  
 William L. Seigel  
 Robbert A. Bosschart  
 Roger H. Pemberton  
 Duncan R. Derry  
 Blaine C. Froats

## Officers

Harold O. Seigel, Ph.D., P.Eng., President  
 Robbert A. Bosschart, Ph.D., P.Eng., Executive Vice President  
 Roger H. Pemberton, M.Sc., P.Eng., Vice President, Operations & Marketing  
 Alfred J. Shaul, Q.C., Secretary-Treasurer  
 Gerald Stork, C.A., P.Eng., Comptroller

## Solicitors

Alfred J. Shaul

## Bankers

Bank of Nova Scotia  
 Marine Midland Trust Company of Western New York

## Auditors

Laventhol Krekstein Horwath & Horwath  
 Transfer Agents and Registrar  
 Guaranty Trust Company of Canada

## Head Office

79 Martin Ross Avenue, Downsview 463, Ontario



AND SUBSIDIARY COMPANIES

*Scientific Instrumentation Research and Exploration*

79 MARTIN ROSS AVENUE, DOWNSVIEW, ONTARIO



INTERIM REPORT TO SHAREHOLDERS

FOR THE

SIX MONTHS ENDED JULY 31, 1969



To the Shareholders:

The first half of our current fiscal year has demonstrated an acceleration of the growth pattern of the past five years. In comparison with last year's figures, it will be noted that revenues have increased by 57%, net income before income taxes by 36% and net earnings per share by 26%, despite an increase of 113% in income tax. This extraordinary increase in income taxes reflects the fact that almost all revenue for this period arose from high taxation areas. Although there are heavy expenditures on new equipment and buildings, the working capital remains essentially unchanged.

This improvement in performance stems largely from an up-surge in mineral exploration activities in many geographic areas. In response to rising demand your company has increased its volume of geophysical instrument production. There has also been a steady increase in its field personnel and equipment to supply mineral survey requirements, particularly out of its regional offices in Kalgoorlie, Australia; Vancouver and Toronto, Canada; Salt Lake City and Tulsa, U.S.A.

There has been a rapid expansion of our airborne geophysical facilities. Your company now owns two fixed-wing aircraft especially equipped for a variety of airborne geophysical services. In addition, four helicopters and a third fixed-wing aircraft have been operated under charter for the bulk of the 1969 field season in North America on contract surveys.

Research and development continues at an undiminished rate in geophysical equipment and methods as well as in new audio products. Several significant new instruments and audio products have been introduced in this period (and more remain in the wings). As is our practice, all current R & D expenditures have been written off in this period.

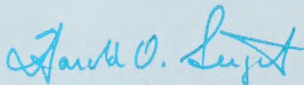
Scintrex Inc. moved into its new, custom-designed 8,000 square feet plant in the Amherst Industrial Park, Buffalo in March. The corporate headquarters will shortly move into its new and eagerly awaited 28,500 square feet building at Concord, Ontario, about three miles from its current plant. Both new buildings are wholly owned by the company to permit maximum expansion flexibility and they reflect the loving care lavished on their design and construction.

Audio products revenues have not kept pace with the earth science activities of the company during this period. New

products, either just introduced or shortly to be introduced, are expected to provide an improvement in this area. Chief among these products is a line of wireless headphones and headphone-microphones. These will have a broad range of applications, including airport, utility, police, language laboratory and industrial use.

From orders on hand or pending your management is confident of a strong second half.

Toronto, Ontario  
September 23, 1969

  
Harold O. Seigel, Ph.D., P.Eng.  
President

SCINTREX LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF OPERATIONS

FOR THE SIX MONTHS ENDED JULY 31

(SUBJECT TO AUDIT)

	1969	1968
Sales .....	\$2,460,644	\$1,569,477
Operating Income Before Income Taxes .....	\$ 440,729	\$ 324,115
Income Taxes .....	209,057	98,328
Net Income from Operations .....	231,672	225,787
Extraordinary Profit from Sale of Land .....	50,000	—
Net Income .....	281,672	225,787
Dividends on Preference Shares .....	9,825	9,825
Net Income Applicable to Common Shareholders	\$ 271,847	\$ 215,962
Number of Common Shares Outstanding .....	427,807	418,272
Earnings Per Common Share .....	63.5c	51.6c

SCINTREX LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF SOURCE AND USE OF FUNDS

FOR THE SIX MONTHS ENDED JULY 31, 1969

(SUBJECT TO AUDIT)

Working Capital at Beginning of Period .....	\$1,171,629
Source of Funds	
Addition to working capital from operations .....	368,435
Proceeds of mortgage on new plant .....	117,433
Proceeds from issue of common shares .....	55,805
	541,673
	1,713,302
Use of Funds	
Net additions to property and equipment .....	559,885
Dividends on preference shares .....	9,825
	569,710
Working Capital at End of Period .....	\$1,143,592
Decrease in Working Capital .....	\$ 28,037